Analysis of Factors Affecting Financial Performance at the Office of the Central Mamuju District Financial Agency

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Abstract
This study aims to identify and analyze the factors that can affect the Central Mamuju Regency Financial Agency's performance, either partially or simultaneously. This research was conducted at the Office of the Central Mamuju Regency Financial Agency from April to June 2020. Data collection used secondary data using purposive sampling technique, namely the sampling technique used with considerations. This study's population is the number of years of reports on realizing the regional income and expenditure budget, targets, and local revenue completion at the Central Mamuju Regency Financial Agency, namely six years (2014-2019 fiscal year). Data were analyzed using multiple linear regression techniques (multiple regression analysis), coefficient of determination (R2), t-test, and F test. The research and discussion results show that both partially and simultaneously, the ratio of regional financial independence, effectiveness ratio, efficiency ratio, and activity ratio show a positive and significant impact on financial performance.

Keywords: Regional Financial Independence Ratio, Effectiveness Ratio, Efficiency Ratio, Activity Ratio, Financial Performance.

1. Introduction
In implementing regional autonomy and fiscal decentralization, provincial governments are required to have greater regional financial independence. With a greater degree of economic freedom, the regions will no longer depend on the central and local governments' assistance through balancing funds. However, it does not mean that if the regional financial independence is high, the regions will no longer need to balance funds. Balancing funds are still required to accelerate regional development. The manifestation of transparency and accountability of state finances is realized through the preparation of financial reports.

Local government reporting aims to present valuable information in making decisions on local governments' accountability as the party in charge of managing. The resources entrusted with carrying out government activities are development, and community services, which are obliged to submit reports on their regional financial accountability to assess whether they have successfully carried out their duties properly or not.

Regional financial management not only requires reliable human resources but also needs support from adequate financial capacity. The ability of local governments to explore regional economic power can be seen from the regional financial performance measured using analysis regional financial ratios. Improvements in budget performance and regional financial management occupy an essential position in empowering local governments to implement regional autonomy and realize broad, honest, and accountable decentralization. Performance-oriented expenditure planning will improve local budget performance. Performance is workability that is indicated by work results. Financial performance can be concluded. As a description of a company's financial condition or an institution's financial situation. that can be measured in a certain way that can be in the form of realization of regional income and expenditure, which is compiled on a factual basis, which results in a conclusion about the success of the company or agency in managing finances.

Budget realization of the Central Mamuju Regency Financial Agency Office for the 2017-2019 fiscal year, in general, tends to increase. However, there was a decrease in revenue in the 2019 fiscal year, which did not result in Rp's budget deficit. 244,495,088,442, -. Income from the Office of the Central Mamuju Regency Finance Agency is dominated by revenue originating from balancing funds. Simultaneously, Regional Original Revenue (PAD) is still relatively small to all total revenues. Furthermore, from the aspect of regional expenditure, which consists of routine expenditure and development expenditure, routine expenditure has a higher share of expenditure when compared to development expenditure. The realization of these two expenditures tends to increase every year.

Several studies related to the analysis of factors that affect financial performance yield different results, among others: The effects of research on the analysis of factors that affect economic performance show different results. Susanti and Yuli research (2017) researched the local government of the North Maluku Regency. The results showed that. The ratio of regional financial independence partially does not affect economic performance; the effectiveness ratio partly has a positive and significant effect on financial performance. This efficiency ratio partially has a positive and significant impact on financial performance. The activity ratio (routine expenditure and development expenditure) somewhat negatively affects economic performance. Furthermore, based on the analysis results, it is concluded that the rate of regional financial independence, effectiveness ratio, efficiency ratio, and activity ratio (routine expenditure and development expenditure) simultaneously have a positive and significant effect on the effect of 29.8% in generating financial performance. This study's results are different from Mawardi's research (2018), showing that the ratio of regional financial independence has a positive and significant effect on financial performance. This effectiveness ratio has a positive and significant impact on financial performance. The efficiency ratio positively and significantly impacts financial performance, activity ratios (routine spending and development expenditure) and substantially affects economic performance. They show that any increase in regional financial independence, effectiveness ratio, efficiency ratio, and activity ratio (routine expenditure and development expenditure) will improve financial performance. Based on the background description, the formulation of the problem in this study is: Why is the financial performance at the Central Mamuju Regency Financial Agency not optimal, and what factors cause the financial account to be not optimal?

2. Literature Review

2.1. Definition of Regional Financial Performance

According to Halim (2015: 232), regional financial performance is a description of the level of Achievement of a work result in the regional financial sector, which includes budget and budget realization using economic indicators determined through a policy or statutory provision during the budget period. Measurement of financial performance can be done by assessing the analysis of financial statements. Financial ratio analysis is the basis for evaluating and analyzing an organization's operations or organizational performance. Financial ratios are designed to assess financial statements, which contain data about the organization's position at a point and the organization's past operations. The real value of financial statements lies in the fact that they can help estimate future income and expenditure.

Currently the financial manager plays a very important role, with the development of the financial manager's job not only to record, make reports, control cash positions, pay bills, and seek funds. However, financial managers must also be able to invest funds in managing the optimal combination of sources of funds, as well as distribution of profits (dividend distribution) in order to increase company value. Every company always needs funds in order to meet daily operational needs and to develop the company. The need for these funds is in the form of working capital and for the purchase of fixed assets. To meet the needs of these funds, companies must be able to find sources of funds with a composition that produces the cheapest costs. Company financial management is one of the functional management areas of the company that deals with making long-term investment decisions and managing the company's working capital which includes short-term investment and funding. In other words, corporate financial management is a field of finance that applies financial principles in a corporate organization to achieve and maintain value through appropriate decision-making and resource management.

2.2. Factors Affecting Financial Performance

According to Halim (2015: 232) states that the factors that affect financial performance can be developed based on financial data sourced from the APBD, including:
the level of dependence of regions on external assistance (especially central and provincial) is getting lower, and vice versa. Local governments' performance in revenue is categorized as independent if the local income is more significant than central government assistance and loans. The self-reliance ratio also describes local governments' ability (Pemda) to self-finance government activities, development, and services to people who have paid taxes and levies as sources of revenue needed by the region. The higher the self-reliance ratio, the higher the community's participation in paying local taxes and levies, leading local revenue components (Nuraini et al., 2019; Umanailo, 2020, 2019). The higher the people pay local taxes and levies, the higher the level of community welfare. Thus, to calculate the ratio of regional financial independence.

The investment decision will be reflected on the asset side of the company. Thus, it will affect the company's wealth structure, namely the comparison between current assets and fixed assets. On the other hand, funding decisions and dividend policies will be reflected in the company's liabilities side. If you only pay attention to funds that are invested in a long period of time, then the comparison is the capital structure. When considering both short-term funds and long-term funds, the comparison is called the financial structure. Funding decisions and dividend policy affect both structures.

2.3. Regional Financial Independence Ratio Original Regional Revenue (PAD)

The ratio of regional financial independence is a ratio that describes a region's dependence on external funding sources. The higher the independence ratio means that the Achievement of regional financial independence performance can be transformed into improvements. Regional Original Income Effectiveness Ratio (PAD) is a ratio that describes local governments' ability to realize planned local revenue compared to Describes the regional capabilities that are getting better. Thus, to calculate the percentage of the effectiveness of PAD

2.4. Conceptual Framework and Conceptual Framework Hypotheses

Analyzing the factors that affect financial performance at the Office of the Central Mamuju Regency Finance Agency assesses the level of progress of implementation achievement. Jobs/activities in the financial sector at the Office of the Central Mamuju Regency Finance Agency for a certain period. Below are four kinds of ratios used by researchers in analyzing the factors that affect the financial performance of the Central Mamuju Regency Financial Agency:

The ratio of regional financial independence is calculated by comparing the original regional income (PAD) divided by the total revenue (APBD). The higher the percentage, the higher the regional financial independence. The ratio of PAD effectiveness illustrates local governments' ability to realize the planned PAD compared to the PAD targets set based on the region's real potential. The higher the effectiveness ratio, the better the regional capability.

The efficiency ratio illustrates the comparison between the number of costs incurred to obtain income with the actual revenue received the smaller the efficiency ratio, the better the government's performance. The activity ratio illustrates how local governments prioritize allocating funds to routine expenditure and development spending optimally (Mu'adi et al., 2020; Nawawi et al., 2020). The higher the percentage of funds earmarked for regular expenditure, the rate of investment spending (development spending) used to provide economic advice and infrastructure for the community tends to be smaller. Meanwhile, the financial performance describes the level of Achievement of a work result in the regional financial sector which includes budget and budget realization using economic indicators that are determined through a policy or statutory provision during the budget period.

2.5. Hypothesis

Based on the background and literature review and previous research, the hypothesis can be formulated as follows: The ratio of regional financial independence has a positive and significant effect on financial performance at the Office of the Central Mamuju Regency Financial Agency. The effectiveness ratio has a positive and significant impact on financial performance at the Office. The Central Mamuju Regency Financial Agency, the efficiency ratio has a positive and significant effect on financial performance at the Central Mamuju Regency Finance Agency. The activity ratio has a positive and significant impact on financial performance.

3. Methods

3.1. Population and Sample

The population is a generalization area consisting of objects or subjects with specific qualities and characteristics that researchers determine to study and then draw conclusions (Sugiyono, 2017). The population in this study is the number of years the budget realization reports.

Regional revenue and expenditure, targets, and realization of local payment at the Office of the Central Mamuju Regency Finance Agency, namely the 2014-2019 fiscal year. The sample is part of the population with specific characteristics or circumstances studied (Sugiyono, 2017). The sampling technique used purposive sampling method, namely the sampling technique used with considerations:

1. Reports on the realization of regional revenue and expenditure budgets, targets, and completion of original provincial revenues are available at the District Finance Agency Office Central Mamuju.
2. Office of the Central Mamuju Regency Finance Agency, which publishes reports on realizing the regional revenue and expenditure budget, targets, and realization of original revenues regions for six years (2014-2019).

3.1. Data collection technique

The research was conducted by searching for secondary data by collecting data by studying records and documents in the company or agency being studied using the documentation method.

3.2. Data analysis technique

This study's data analysis is financial performance, while the object in this study is the 2014-2019 budget realization report. The methods used to analyze this research are quantitative and qualitative approaches. A quantitative approach is used to calculate the Mamuju Tengah Regency Financial Agency's financial performance for the period 2014-2019. Simultaneously, the qualitative approach is to collect, process, and interpret the data obtained based on the depiction that supports the analysis. This analysis emphasizes the understanding of social life problems based on the holistic, complex, and detailed reality conditions described in descriptions or the form of sentences.

4. Results

4.1. The Influence of Regional Financial Independence Ratio on Financial Performance

Regional financial independence is shown by comparing PAD and total revenue (APBD) or what is often referred to as the degree of fiscal decentralization. PAD plays a vital role. Therefore, PAD is expected to be the largest share of all regional revenues in mobilizing funds for the Central Mamuju Regency administration. Government because an important factor in regional financial capacity can be seen from PAD so that the level of dependence on the central and provincial governments can be minus.

Table 1. Results of the Financial and Efficiency

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.579	3.185		2.990	.073
	Financial (x1)	.479	.165	.651	7.947	.000
	Efficiency (x2)	.436	.108	.375	4.455	.001

a. Dependent Variable: Performance (Y1)

The results showed that the ratio of the Central Mamuju Regency Financial Agency's regional financial independence in meeting the funding needs to carry out government tasks, development, and community social services in January 2017 to December 2019 fiscal year. It can be said to be still low or categorized as very instructive. The Achievement of regional financial independence performance is classified as very informative if the financial independence ratio achieved is less than 50% (Proceedings of the 2017 National Seminar on Regional Government Performance Measurement). However, if you look at the development of regional financial independence, the Office of the Central Mamuju Regency Finance Agency has increased for each budget year because the local revenue has increased quite significantly each year. This shows that the regional government has tried to be independent in managing its provincial finances and is trying to be autonomous following the targets to be aimed at regional autonomy.

The results show that the Central Mamuju Regency Financial Agency Office's efficiency ratio in collecting local revenue sources in January 2017 to December 2019 fiscal year can be very effective. This is because the costs incurred to obtain income are more significant than the actual revenues received. The results of this study are in line with the theory of the Proceedings of the National Seminar on Regional Government Performance Measurement (2017), which states that the financial capacity of local governments in collecting local revenue sources is categorized as very efficient if the ratio achieved is less than 50%. The smaller the efficiency ratio, the better the local government performance.

4.2. The Effect of Activity Ratios on Financial Performance

The ratio of activity to financial performance illustrates how local governments prioritize their optimal allocation of funds for routine expenditure and development spending. The higher the percentage of funds allocated for regular expenditure, the rate of investment spending (development spending) used to provide economic advice and infrastructure for the community tends to be smaller. This study's activity ratio is a combination of the percentage of routine expenditures and the proportion of development expenditures to the APBD of the Central Mamuju Regency Financial Agency. It shows the ratio of regular spending in January 2017 to December fiscal year 2019 and the ratio of development spending in January 2017 fiscal year to December 2019 fiscal year. This indicates that most of the funds owned by regional governments are still prioritized for routine expenditure needs. The ratio of development spending to APBD is still relatively small.

Table 2. Results of the Activity and Performance

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.790	5.542		1.570	.051
	Activity (x1)	.690	.194	.473	3.517	.000
	Performance (x2)	.667	.189	.158	1.241	.001
a. Dependent Variable: Financial (Y1)						

The ratio of efficiency to financial performance illustrates the comparison between the number of costs incurred to obtain income with the realization of the payment received. The smaller is the efficiency ratio, the better the government's performance. For this reason, the local government needs to calculate how much it costs to realize all the revenue it receives so that it can be seen whether the revenue collection activity is efficient or not. This needs to be done because even though the local government has succeeded in realizing revenue according to the target set, this success is lacking if it turns out that the costs incurred to recognize the revenue target are more significant than the actual revenue received (Halim, 2015, Nuraini et al., 2019; Umanailo, 2020, 2019).

5. Discussion

Measurement of financial performance for the public interest can be used as an evaluation and restoring performance against a comparison of work schemes and their implementation. It can also be used as a benchmark for improving performance, especially local government finances in the next period. The existence of regional autonomy resulted in decentralizing the government system at the Central Mamuju Regency Finance Agency's Office. Therefore, the Central Mamuju Regency Government, as the party entrusted with running the government's wheels, development, and community services. Is obliged to submit a report on its regional finances' accountability to assess whether the Central Mamuju Regency Government managed to carry out its duties properly or not. During the previous reign, the existence of irregularities in the Regional Revenue and Expenditure Budget (APBD) funds carried out by the government made the community angry. A crisis of confidence in the Central Mamuju Regency Government's performance, for that the organization or population as one of the development resources plays two critical roles in development, namely as a subject or behavior. As well as an object of action wants transparency in the financial budget that exists in the Government of Central Mamuju Regency so that the community or population can also monitor the Central Mamuju Regency Government's performance can run well or not.

Analysis of the Central Mamuju Regency Finance Agency's regional financial independence ratios aims to determine the pattern of relations between the central and provincial governments in implementing regional autonomy. To assess the Central Mamuju Regency Financial Agency Office's financial performance in implementing its financial performance by the pattern of relationships and the level of regional capacity. The higher the self-reliance ratio, the higher the level of regional dependence on assistance from external parties (especially central and provincial parties) is getting lower and vice versa.

Ratios on Financial Performance The results show the regional financial independence ratios, effectiveness ratios, efficiency ratios. And activity ratios are in line with economic performance if the regional financial independence ratios, effectiveness ratios, the activity ratio increases, and the efficiency ratio decreases. The resulting financial performance will increase at the Office of the Central Mamuju Regency Finance Agency and vice versa. In other words, regional financial independence ratios, effectiveness ratios, efficiency ratios, and activity ratios also have a vital role in improving financial performance at the Central Mamuju Regency Financial Agency's Office. This study also reveals that the value of the coefficient of determination (R2) of 0.773 indicates 77.30% variations or changes in financial performance can be explained by variations in regional financial independence, effectiveness ratio, efficiency ratio, and activity ratio.

6. Conclusion

Based on the results of the research and discussion previously described, it can be concluded that the ratio of regional financial independence, effectiveness ratio, efficiency ratio. And activity ratio is in line with economic performance. If the balance of restricted financial freedom, effectiveness ratio, activity ratio increases, and efficiency ratio decreases, then version the finance it generates will increase at the Mamuju Tengah District Finance Agency and vice versa. In other words, regional financial independence ratios, effectiveness ratios, efficiency ratios, and activity ratios also significantly improve financial performance at the Central Mamuju Regency Financial Agency's Office.

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